

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301  
Indianapolis, IN 46204  
(317) 233-0696  
<http://www.in.gov/legislative>

**FISCAL IMPACT STATEMENT**

**LS 6810**

**BILL NUMBER: SB 353**

**NOTE PREPARED: Jan 4, 2013**

**BILL AMENDED:**

**SUBJECT:** County Option Exemption for Personal Property.

**FIRST AUTHOR:** Sen. Hershman

**BILL STATUS:** As Introduced

**FIRST SPONSOR:**

**FUNDS AFFECTED:**      **GENERAL**  
                                 **DEDICATED**  
                                 **FEDERAL**

**IMPACT:** Local

**Summary of Legislation:** This bill permits a county council to approve a property tax exemption for all new personal property located in the county. The bill allows the county council to limit the exemption to a maximum dollar amount of new personal property.

**Effective Date:** July 1, 2013.

**Explanation of State Expenditures:** The Department of Local Government Finance (DLGF) would have to allow for the exemption to be claimed on the personal property tax return. The DLGF updates personal property tax returns each year. This change could be incorporated into the annual update.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** *Summary:* In a county that opts to exempt new personal property from property taxation under this bill, property taxes would shift from owners of the exempt property to all other taxpayers. As a result, property tax rates would increase and circuit breaker losses would rise. In addition, the levies of rate-controlled funds would be reduced. Increased tax rates would also result in increased TIF revenue. The amount of personal property exemptions under this bill would depend on actions taken by counties.

According to the depreciation schedules from filed business personal property tax returns, the true tax value

of new assets statewide was about \$3.1 B for taxes payable in 2012. This compares with the total true tax value of all assets statewide of about \$24.7 B for taxes payable in 2012. (Please see the table at the end of this document for true tax value and net tax details by county.)

If all counties opt to allow the exemption indefinitely under this bill, about \$3 B in new personal property valuation per year could be exempted from property taxes and not made a part of the tax base. These figures do not include the effect of the 30% valuation floor, adjustments, abatements, or other exemptions. Nor do these amounts include the value of utility property.

**Background:** Under this bill, a county fiscal body would be permitted to adopt an ordinance to exempt new personal property in the county from property tax. The county would be permitted to uniformly exempt all new personal property. Alternatively, the county could limit the exemption (1) to a maximum dollar amount, (2) to improvements made or property placed in service after a date set in the ordinance, or (3) by a combination of those parameters. The county would also have to specify the duration of the exemption in the authorizing ordinance.

The exemption would first apply to assessments in the calendar year following the year of adoption. New personal property could first be exempted under this provision for property taxes payable in CY 2015.

Taxpayers would not be required to file an application to receive the deduction. The exemption would be claimed on the personal property tax return. The local assessor (or the DLGF if the DLGF assesses the property) would determine the exemption amount if the taxpayer fails to enter the exemption on the personal property return.

**Analysis:** Under current law and DLGF rule, business personal property is valued according to a depreciation schedule as specified in the rule. Most taxpayers list the cost of depreciable property in one of four “pools”, depending on the declared useful life of the property. A fifth pool is available for certain integrated steel mill and oil refinery/petrochemical property. Each pool has a different set of depreciation rates for each year of age of the property. The asset cost is multiplied by the appropriate “percent good” factor in the depreciation schedule to produce the total true tax value (TTV) of the assets. The TTV of all of a taxpayer’s depreciable property located in the same taxing district must be at least 30% of the total cost of the property (30% floor). The rule allows for special valuation of special tooling and for an adjustment for abnormal obsolescence of depreciable assets.

Each year as an asset ages, its cost is entered into a lower line on the depreciation schedule, which produces a lower true tax value for that asset (except in the second year). Many times, new property is acquired by the taxpayer and the addition of the new asset’s value offsets the decline in value of the existing assets. If new property is exempt under this bill, then the overall assessed value of personal property would begin to decline.

**State Agencies Affected:** Department of Local Government Finance.

**Local Agencies Affected:** County fiscal bodies; Local assessors; County auditors; Civil taxing units and school corporations.

**Information Sources:** LSA personal property tax return database.

**Fiscal Analyst:** Bob Sigalow, 317-232-9859.

Business Personal Property  
PAY 2012 True Tax Value In Depreciation Schedule  
(Does Not Consider Adjustments, Abatements, or Exemptions)

Cnty	County	Net Tax (Includes Utilities)	True Tax Value (Does Not Include Utilities)		
			New Assets	All Assets	% New
01	Adams	4,394,838	16,650,080	134,892,679	12%
02	Allen	47,670,717	142,332,558	1,270,478,399	11%
03	Bartholomew	16,266,323	54,318,189	537,019,651	10%
04	Benton	1,758,992	9,889,177	42,569,211	23%
05	Blackford	2,363,938	42,933	476,705	9%
06	Boone	5,149,571	333,400	2,284,431	15%
07	Brown	331,884	12,427	103,616	12%
08	Carroll	1,777,257	11,375,209	76,210,335	15%
09	Cass	4,503,250	13,634,824	144,390,118	9%
10	Clark	12,559,975	32,956,370	337,131,410	10%
11	Clay	1,785,116	7,158,066	55,430,405	13%
12	Clinton	4,252,567	25,568,645	207,688,903	12%
13	Crawford	1,290,138	3,060,542	19,870,759	15%
14	Daviess	3,982,142	20,716,014	147,805,598	14%
15	Dearborn	6,717,611	12,342,598	119,986,648	10%
16	Decatur	4,371,982	17,070,543	267,898,205	6%
17	DeKalb	10,146,521	26,417,997	344,268,309	8%
18	Delaware	12,347,229	37,648,141	253,090,965	15%
19	Dubois	5,823,028	22,351,470	226,492,188	10%
20	Elkhart	27,379,003	896,633	7,232,646	12%
21	Fayette	2,138,251	6,262,277	51,363,084	12%
22	Floyd	7,626,711	21,651,101	182,493,248	12%
23	Fountain	2,000,991	6,531,564	56,467,016	12%
24	Franklin	1,398,565	4,006,573	32,518,760	12%
25	Fulton	2,146,387	9,773,475	72,767,782	13%
26	Gibson	16,559,771	28,596,631	494,036,202	6%
27	Grant	9,833,591	32,637,907	323,163,119	10%
28	Greene	2,318,818	6,457,997	50,950,741	13%
29	Hamilton	25,302,958	105,301,944	793,880,648	13%
30	Hancock	7,468,378	31,482,585	180,993,068	17%
31	Harrison	2,045,624	10,920,160	104,496,546	10%
32	Hendricks	17,068,060	54,394,117	431,780,099	13%
33	Henry	3,924,585	20,682,953	105,417,171	20%
34	Howard	31,159,805	31,555,184	677,971,139	5%
35	Huntington	4,777,576	14,866,263	119,867,630	12%
36	Jackson	6,954,617	27,009,405	266,854,353	10%
37	Jasper	5,988,475	14,810,311	163,866,181	9%
38	Jay	4,417,541	11,385,061	127,864,603	9%
39	Jefferson	5,845,272	14,424,580	114,946,233	13%
40	Jennings	3,074,822	7,174,357	75,826,172	9%
41	Johnson	13,115,350	35,956,166	322,246,768	11%
42	Knox	7,054,073	34,073,338	198,394,478	17%
43	Kosciusko	9,217,091	50,871,349	475,677,937	11%
44	LaGrange	2,617,997	10,637,840	89,582,358	12%
45	Lake	108,057,903	349,020,610	2,311,505,081	15%
46	LaPorte (est)	13,067,000	Not Available		

Cnty	County	Net Tax	True Tax Value (Does Not Include Utilities)		
		(Includes Utilities)	New Assets	All Assets	% New
47	Lawrence	4,496,842	18,595,201	113,964,070	16%
48	Madison	12,756,680	79,278,732	504,753,589	16%
49	Marion	157,537,189	4,849,268	41,850,585	12%
50	Marshall	5,646,391	19,874,401	185,859,142	11%
51	Martin	1,104,876	2,398,103	36,397,118	7%
52	Miami	2,222,254	9,278,078	68,148,257	14%
53	Monroe	9,064,747	72,275,752	416,730,635	17%
54	Montgomery	8,979,178	31,822,985	392,746,773	8%
55	Morgan	2,793,728	11,800,740	136,799,933	9%
56	Newton	2,157,210	11,600,169	83,502,915	14%
57	Noble	7,701,650	33,868,934	237,114,642	14%
58	Ohio	238,617	828,589	10,700,583	8%
59	Orange	1,814,134	7,740,415	65,458,180	12%
60	Owen	1,512,719	3,498,293	35,842,515	10%
61	Parke	1,037,954	4,594,476	28,157,589	16%
62	Perry	2,415,321	4,877,746	93,627,587	5%
63	Pike	5,214,326	7,838,921	54,257,771	14%
64	Porter	24,062,198	63,751,358	810,656,480	8%
65	Posey	11,283,108	118,636,790	496,443,562	24%
66	Pulaski	1,117,933	8,116,438	60,551,856	13%
67	Putnam	3,986,591	38,729,627	148,358,421	26%
68	Randolph	3,285,896	17,943,180	124,845,587	14%
69	Ripley	2,292,268	10,377,697	77,094,252	13%
70	Rush	2,070,083	8,394,471	61,909,726	14%
71	St. Joseph	38,356,815	404,633,176	3,311,706,728	12%
72	Scott	2,746,731	16,073,585	80,537,206	20%
73	Shelby	8,716,418	26,376,351	319,273,055	8%
74	Spencer	11,524,942	10,436,079	239,123,658	4%
75	Starke	1,508,084	5,384,651	42,158,796	13%
76	Steuben	3,017,113	13,661,136	136,188,054	10%
77	Sullivan	6,274,616	31,606,479	120,454,832	26%
78	Switzerland	517,771	2,653,225	20,438,813	13%
79	Tippecanoe	27,577,716	64,960,829	1,063,615,383	6%
80	Tipton	2,086,873	11,252,987	67,235,748	17%
81	Union	516,627	1,669,320	10,088,276	17%
82	Vanderburgh	26,590,548	99,674,490	790,309,898	13%
83	Vermillion	5,909,175	6,811,276	106,697,763	6%
84	Vigo	22,370,722	66,796,231	611,956,348	11%
85	Wabash	3,639,577	20,494,088	146,692,833	14%
86	Warren	722,587	9,129,028	38,585,598	24%
87	Warrick	8,392,372	194,155,167	418,847,490	46%
88	Washington	2,281,727	5,464,090	55,128,755	10%
89	Wayne	10,210,528	22,128,406	271,688,936	8%
90	Wells	3,053,037	16,181,013	184,885,768	9%
91	White	3,101,880	23,846,857	142,052,065	17%
92	Whitley	3,553,719	37,834,278	282,210,226	13%
		957,513,762	3,077,452,671	24,765,899,595	12%